

# DEBT SERVICE FUNDS

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## ***Board of Supervisors' Adjustments***

***The following funding adjustments reflect all changes to the FY 2003 Advertised Budget Plan, as approved by the Board of Supervisors on April 29, 2002:***

- ◆ A net decrease of \$2,440,267 in Fund 201, School Debt Service as a result of projected savings in debt service requirements for FY 2003 based on lower than anticipated interest rates, the timing and size of the FY 2002 bond sale and savings as a result of anticipated bond refundings. This reduction includes the elimination of the Transfer In from Fund 090, Public School Operating to Fund 201, School Debt Service in the amount of \$5,738,250, partially offset by increased General Fund support of \$3,297,983. As a result of this action, an additional \$5.7 million is available to address Fairfax County Public School operations in addition to the increased General Fund transfer to Fund 090. The Board of Supervisors also approved a FY 2003 General Obligation Bond Sale for the Fairfax County Public Schools of \$136,400,000, an increase of \$6,400,000. The FY 2003 - FY 2007 Capital Improvement Program (With Future Fiscal Years to 2012) reflects the increased Bond capacity. Additional adjustments will be made at the *FY 2002 Carryover Review* following the May 2002 General Obligation Bond Sale. No adjustments were included for Fund 200, County Debt Service.

***The following funding adjustments reflect all approved changes to the FY 2002 Revised Budget Plan from January 1, 2002 through April 22, 2002. Included are all adjustments made as part of the FY 2002 Third Quarter Review:***

- ◆ The Board of Supervisors made no adjustments to these funds.

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## ***County Executive Proposed FY 2003 Advertised Budget Plan***

### **Purpose**

The Debt Service Funds account for the general obligation bond debt service of the County, general obligation bond debt of Special Revenue Funds, and general obligation bond debt and loans of the Literary Funds of Virginia for the Fairfax County Public Schools (FCPS). In addition, Debt Service expenditures are included for the Lease Revenue bonds associated with the Community Development Center (the Herrity Building) and the Human Services Center (the Pennino Building) and payments of the Fairfax County Redevelopment and Housing Authority (FCRHA) Lease Revenue bonds. Revenues for the debt service funds are derived principally from transfers from the General Fund. It should be noted that Debt Service on sewer revenue bonds is reflected in the Enterprise Funds.

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## FY 2003 Initiatives

The following is a chart illustrating the debt service payments and projected fiscal agent fees required in FY 2003 as well as the sources of funding supporting these costs:

|  | FY 2003<br>Advertised<br>Budget Plan | FY 2003<br>Adopted<br>Budget Plan |
|--|--------------------------------------|-----------------------------------|
| <b>Expenses</b>                                |                                      |                                   |
| <b>Fund 200, County Debt Service</b>           | \$88,122,861                         | \$88,122,861                      |
| Government Center Properties                   | 10,846,406                           | 10,846,406                        |
| FCRHA Community Centers                        | 1,265,624                            | 1,265,624                         |
| McLean Community Center                        | 110,550                              | 110,550                           |
| Fiscal Agent Fees/Cost of Issuance             | 117,000                              | 117,000                           |
| Subtotal                                       | <b>\$100,462,441</b>                 | <b>\$100,462,441</b>              |
| <b>Fund 201, School Debt Service</b>           | \$115,983,161                        | \$113,542,894                     |
| Literary Loans                                 | 100,024                              | 100,024                           |
| Fiscal Agent Fees/Cost of Issuance             | 205,000                              | 205,000                           |
| Subtotal                                       | <b>\$116,288,185</b>                 | <b>\$113,847,918</b>              |
| <b>Total Expenses</b>                          | <b>\$216,750,626</b>                 | <b>\$214,310,359</b>              |
| <b>Funding</b>                                 |                                      |                                   |
| General Fund Transfer                          | \$210,396,289                        | \$213,694,272                     |
| Fairfax County Public Schools Transfer         | 5,738,250                            | 0                                 |
| City of Fairfax Revenue                        | 20,000                               | 20,000                            |
| Transfer from McLean Community Center          | 110,550                              | 110,550                           |
| Transfer from Neighborhood Improvement Program | 100,000                              | 100,000                           |
| Bond Premiums to offset Cost of Issuance       | 300,000                              | 300,000                           |
| Available Fund Balance                         | 85,537                               | 85,537                            |
| <b>Total Funding</b>                           | <b>\$216,750,626</b>                 | <b>\$214,310,359</b>              |

This level of expenditure provides for payment of principal and interest on \$1,496,143,600 in existing and projected County general obligation debt (including literary loans), \$138,150,000 in lease revenue debt for the Government Center properties and existing and projected FCRHA Lease Revenue bonds, and \$525,000 in Special Revenue Fund debt outstanding at the beginning of FY 2003.

### General Obligation Bonds

In addition to existing General Obligation bonds and literary loans, funding has been included for two upcoming General Obligation bond sales. It is estimated that the Spring 2002 General Obligation bond sale will be \$198,000,000 which includes \$130,000,000 for School bonds and \$68,000,000 for County bonds. In addition, a Fall 2002 sale is estimated for \$100,000,000 including \$75,000,000 for School bonds and \$25,000,000 for County bonds with the balance of the FY 2003 Capital Improvement Program sold in Spring 2003 (with no debt service requirements until FY 2004). Both sales are estimated at an interest rate of 5.0 percent for planning purposes.

### Capital Leases

Funding is included in FY 2003 for expenditures that are directly attributed to the lease purchase of the Community Development Center (Herrity Building) and the Human Services Center (Pennino Building). On March 15, 1994, the Economic Development Authority (EDA) issued \$116,965,000 in lease revenue bonds to finance the acquisition of the Government Center properties. An amount of \$8,776,410 has

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been set aside in Fund 200, County Debt Service, for the annual lease costs associated with the acquisition of the buildings. In addition, lease costs associated with the South County Government Center are included for the first time in FY 2003. Certificates of Participation (COPS) were issued on November 15, 2000 in the amount of \$29,000,000 for the construction of the facility by a private developer. The County will pay lease costs equal to the annual debt service on the COPS. An amount of \$1,015,624 has also been included in FY 2003 for payments for the FCRHA Lease Revenue bond for leases associated with the Mott Community Center, the Gum Springs Community Center, the Bailey's Community Center, and the Herndon Harbor Adult Day Care Center. In addition, an FCRHA Lease Revenue sale of approximately \$2,500,000 is included for additional Community Center projects.

The estimates for FY 2002 and FY 2003 new debt are based on the most current cashflow requirements and are consistent with the cashflow indicated in the FY 2003 - FY 2007 Capital Improvement Program (With Future Years to 2012).

## Debt Service Ratios

The Board of Supervisors has adopted specific debt indicators within the Ten Principles of Sound Financial Management to effectively manage the County's bonded indebtedness. The Ten Principles state that the County's debt ratios shall be maintained at the following levels:

- ♦ Net debt as a percentage of estimated market value should always remain less than 3.0 percent.
- ♦ The ratio of debt service expenditures as a percentage of Combined General Fund disbursements should remain under 10.0 percent. To this end, for planning purposes, the target on annual sales will be \$200 million, or \$1 billion over a five-year period, with a technical limit of \$225 million in any given year. This planning limit shall exist even though the ratio of debt to taxable property value remains less than 3.0 percent and the ratio of debt service to Combined General Fund disbursements remains less than 10.0 percent.

The Board of Supervisors annually reviews the cash requirements for capital project financing to determine the capacity to incur additional debt for construction of currently funded projects as well as capital projects in the early planning stages. In FY 1992 and FY 1994, bond projects were deferred in order to reduce planned sales and remain within capacity guidelines.

The FY 2003 debt service budget has been prepared on the basis of the construction and bond sale limitations set in place by the Board of Supervisors. The FY 2003 capital program supported by general obligation bonds will be reviewed in conjunction with the FY 2003 - FY 2007 Capital Improvement Program (With Future Years to 2012).

The following are ratios and annual sales reflecting debt indicators for FY 1999 - FY 2003:

### Net Debt as a Percentage of Market Value of Taxable Property

| <u>Fiscal Year Ending</u> | <u>Net Bonded<br/>Indebtedness</u> | <u>Estimated Market Value</u> | <u>Percentage</u> |
|---------------------------|------------------------------------|-------------------------------|-------------------|
| 1999                      | \$1,314,377,875                    | \$87,086,700,000              | 1.51%             |
| 2000                      | 1,380,266,450                      | 92,692,600,000                | 1.49%             |
| 2001                      | 1,442,682,525                      | 101,048,500,000               | 1.43%             |
| 2002 (est.) <sup>1</sup>  | 1,657,818,600                      | 113,778,400,000               | 1.46%             |
| 2003 (est.) <sup>1</sup>  | 1,745,779,675                      | 128,278,700,000               | 1.36%             |

<sup>1</sup> Beginning in FY 2002, the ratio includes outstanding Lease Revenue bonds for the Pennino and Herrity Buildings and outstanding Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Loans and Special Revenue Bonds for Community Centers. In addition, sales of \$198.00 million for FY 2002 and \$221.10 million for FY 2003 have been included for projection purposes.

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## Debt Service Requirements as a Percentage of Combined General Fund Disbursements

| <u>Fiscal Year Ending</u> | <u>Debt Service Requirements<sup>1</sup></u> | <u>General Fund Disbursements</u> | <u>Percentage</u> |
|---------------------------|--|-----------------------------------|-------------------|
| 1999                      | \$163,541,092                                | \$1,849,587,184                   | 8.8%              |
| 2000                      | 176,060,037                                  | 2,000,540,810                     | 8.8%              |
| 2001                      | 184,300,168                                  | 2,152,979,627                     | 8.6%              |
| 2002 (est.)               | 206,803,310                                  | 2,322,878,256                     | 8.9%              |
| 2003 (est.)               | 213,877,809                                  | 2,442,411,962                     | 8.8%              |

<sup>1</sup> Beginning in FY 2002, the ratio includes debt service on Lease Revenue bonds for the Pennino and Herrity Buildings and Certificates of Participation for the South County Government Center in addition to General Obligation Bonds, Literary Loans and Special Revenue Bonds for Community Centers.

## Annual Bond Sales

| <u>Fiscal Year Ending</u> | <u>Sales (millions)</u> | <u>Total for the Five-Year Period Ending FY 2003</u> |
|---------------------------|-------------------------|--|
| 1999                      | \$154.20                | -  |
| 2000                      | 171.60                  | -  |
| 2001                      | 174.65                  | -  |
| 2002 (est.) <sup>1</sup>  | 198.00                  | -  |
| 2003 (est.) <sup>1</sup>  | 221.10                  | 919.55   |

<sup>1</sup>For projection purposes, sales of \$198.00 million for FY 2002 and \$221.10 million for FY 2003 have been included. Actual County and School bond sale amounts are based on the cash requirements for each project and municipal bond market conditions.

## Funding Adjustments

*The following funding adjustments reflect all approved changes to the FY 2002 Revised Budget Plan since passage of the FY 2002 Adopted Budget Plan. Included are all adjustments made as part of the FY 2001 Carryover Review and all other approved changes through December 31, 2001.*

- ◆ At the FY 2001 Carryover Review, expenditures were increased \$1,129,443 to fund projected debt service requirements. Fund 200 was increased \$515,050 and Fund 201 was increased \$614,393.

# FUND 200 COUNTY DEBT SERVICE

## FUND STATEMENT

### Fund Type G20, Debt Service Funds

### Fund 200, County Debt Service

|                                     | FY 2001<br>Actual <sup>1</sup> | FY 2002<br>Adopted<br>Budget Plan | FY 2002<br>Revised<br>Budget Plan | FY 2003<br>Advertised<br>Budget Plan | FY 2003<br>Adopted<br>Budget Plan |
|-------------------------------------|--------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| <b>Beginning Balance</b>            | <b>\$2,008,626</b>             | <b>\$965,947</b>                  | <b>\$1,523,397</b>                | <b>\$42,400</b>                      | <b>\$42,400</b>                   |
| Revenue:                            |                                |                                   |                                   |                                      |                                   |
| Miscellaneous Revenue               | \$11,660                       | \$0                               | \$0                               | \$0                                  | \$0                               |
| Bond Proceeds <sup>2</sup>          | 232,507                        | 0                                 | 0                                 | 100,000                              | 100,000                           |
| Revenue from Fairfax City           | 24,741                         | 25,000                            | 25,000                            | 20,000                               | 20,000                            |
| <b>Total Revenue</b>                | <b>\$268,908</b>               | <b>\$25,000</b>                   | <b>\$25,000</b>                   | <b>\$120,000</b>                     | <b>\$120,000</b>                  |
| Transfers In:                       |                                |                                   |                                   |                                      |                                   |
| General Fund (001)                  | \$93,669,907                   | \$96,726,101                      | \$96,726,101                      | \$98,823,867                         | \$98,823,867                      |
| FCRHA Lease Revenue Bonds (001)     | 997,530                        | 1,283,785                         | 1,283,785                         | 1,265,624                            | 1,265,624                         |
| McLean Community Center (113)       | 121,050                        | 115,838                           | 115,838                           | 110,550                              | 110,550                           |
| Neighborhood Improvement (314)      | 0                              | 0                                 | 0                                 | 100,000                              | 100,000                           |
| <b>Total Transfers In</b>           | <b>\$94,788,487</b>            | <b>\$98,125,724</b>               | <b>\$98,125,724</b>               | <b>\$100,300,041</b>                 | <b>\$100,300,041</b>              |
| Refunding Proceeds                  | \$84,092,965                   | \$0                               | \$0                               | \$0                                  | \$0                               |
| <b>Total Available</b>              | <b>\$181,158,986</b>           | <b>\$99,116,671</b>               | <b>\$99,674,121</b>               | <b>\$100,462,441</b>                 | <b>\$100,462,441</b>              |
| Expenditures:                       |                                |                                   |                                   |                                      |                                   |
| County General Obligation Bonds:    |                                |                                   |                                   |                                      |                                   |
| Principal                           | \$54,123,501                   | \$53,888,405                      | \$56,315,429                      | \$56,050,047                         | \$56,050,047                      |
| Interest                            | 31,658,427                     | 28,664,450                        | 29,825,031                        | 26,947,814                           | 26,947,814                        |
| Debt Service on Projected Sales     | 0                              | 6,373,147                         | 3,064,592                         | 5,125,000                            | 5,125,000                         |
| <b>Subtotal County Debt Service</b> | <b>\$85,781,928</b>            | <b>\$88,926,002</b>               | <b>\$89,205,052</b>               | <b>\$88,122,861</b>                  | <b>\$88,122,861</b>               |
| EDA Lease Revenue Bonds             | 8,775,296                      | 8,774,046                         | 8,774,046                         | 8,776,410                            | 8,776,410                         |
| South County COPS                   | 0                              | 0                                 | 0                                 | 2,069,996                            | 2,069,996                         |
| FCRHA Lease Revenue Bonds           | 997,530                        | 1,283,785                         | 1,283,785                         | 1,265,624                            | 1,265,624                         |
| Small District Debt                 | 121,050                        | 115,838                           | 115,838                           | 110,550                              | 110,550                           |
| Refunding Escrow Substitution       | 0                              | 0                                 | 0                                 | 0                                    | 0                                 |
| Cost of Issuance                    | 0                              | 0                                 | 236,000                           | 100,000                              | 100,000                           |
| Credit for Accrued Interest         | (147,526)                      | 0                                 | 0                                 | 0                                    | 0                                 |
| Fiscal Agent Fees                   | 14,346                         | 17,000                            | 17,000                            | 17,000                               | 17,000                            |
| <b>Total Expenditures</b>           | <b>\$95,542,624</b>            | <b>\$99,116,671</b>               | <b>\$99,631,721</b>               | <b>\$100,462,441</b>                 | <b>\$100,462,441</b>              |
| Refunding Payment to Escrow         | \$84,092,965                   | \$0                               | \$0                               | \$0                                  | \$0                               |
| <b>Total Disbursements</b>          | <b>\$179,635,589</b>           | <b>\$99,116,671</b>               | <b>\$99,631,721</b>               | <b>\$100,462,441</b>                 | <b>\$100,462,441</b>              |
| <b>Ending Balance</b>               | <b>\$1,523,397</b>             | <b>\$0</b>                        | <b>\$42,400</b>                   | <b>\$0</b>                           | <b>\$0</b>                        |
| Reserve for Arbitrage Rebate        | 0                              | 0                                 | 0                                 | 0                                    | 0                                 |
| <b>Unreserved Ending Balance</b>    | <b>\$1,523,397</b>             | <b>\$0</b>                        | <b>\$42,400</b>                   | <b>\$0</b>                           | <b>\$0</b>                        |

## **FUND 200**

### **COUNTY DEBT SERVICE**

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<sup>1</sup> FY 2001 Revenues and Expenditures have been updated to reflect all FY 2001 audit adjustments. These adjustments include an increase of \$38,717 in revenues and a decrease of \$3,683 in expenditures which will be outlined in detail in the *FY 2002 Third Quarter Review* audit package. In addition, revenues and expenditures of \$84,092,965 associated with the 2001A Refunding are reflected for accounting purposes and are included in the County's Comprehensive Annual Financial Report but do not affect the legal appropriation requirements for this fund.

<sup>2</sup> Beginning with the 2001A General Obligation Bond Sale, the Bond Premium received by the County will be reflected in the Debt Service Funds and used to offset the appropriation of Bond Sale Cost of Issuance.